

**POSTED August 17, 2007**

**Addendum #1**  
**Competitive Process for Broker Selection for Insurance Reserve Fund**  
**Excess Property Program**  
**Questions from Pre-Bid Conference**  
**Wednesday, August 15, 2007**

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1. In the introduction you outline the factors to be evaluated. Can you elaborate on the evaluation methodology? Is a scoring system/matrix to be utilized and if so, could you provide an outline of the matrix and the value of each factor?

These factors are listed in relative order of importance with the most important listed first. No percentage or points have been assigned to any category.

2. Will all proposals be presented to the Budget and Control Board or will the Insurance Reserve Fund pre-qualify and narrow the list of candidates submitted to the BCB?

All proposals will be presented to the BCB. The IRF intends to have a selection panel present basic recommendations to the BCB to assist it in making the final decision.

3. In the introduction section of the RFP, the IRF indicates that they are looking for a broker to provide insurance placement, advisory, and program-related services. Can more detail be provided as to the type and extent of program-related services desired?

The IRF seeks for each prospective broker to explain what services it has to offer.

4. The Broker Services section of the RFP indicates that loss control, catastrophic claims handling and other services will be required. Can you describe the "other services" and quantify the extent of loss control, claims and other services that will be needed?

The IRF seeks for each prospective broker to explain what services it has to offer. For instance, the IRF would like to know in advance of a catastrophe how various parties will handle claims to ensure the IRF reports claims in a format acceptable to their reinsurance.

5. In the Broker Compensation section of the RFP, the IRF indicates that they expect one flat fee to include compensation paid to wholesale brokers/intermediaries. Given the size and complexity of the placement, it is probable that E&S and foreign markets will participate. Given the fact that the extent of the E&S and foreign placements will not be known until the final stages of the placement, determining appropriate compensation for the wholesale brokers/intermediaries on the front end will be difficult. As opposed to a flat fee, will the IRF consider paying wholesalers/intermediaries a specified commission articulated in the RFP response?

The IRF is interested in recognizing one flat fee. The flat fee should include any and all costs of those who work on behalf of the broker.

6. What is the agent's current compensation? (Commission %, fee, etc.)

Currently IRF pays one premium and the amount of agent's compensation is unknown.

7. Are any wholesalers involved in the current placement?

Yes.

8. If so, how are the wholesalers compensated?

Unknown.

9. Please provide a copy of the current program structure – including premiums by layer, the name of the carrier and the limit afforded by each.

This will be made part of the addendum and posted on the website.

10. Please provide a copy of the latest actuarial evaluation of the PML (Probable Maximum Loss) under the program.

This will be made available to the selected broker.

11. Can we get loss summary for the past 10 years for the program, including losses within the SIR?

This will be made available to the selected broker.

12. Statement of Values/COPE (Construction Occupancy Protection and Extended Coverage Code) information so we can determine: % tier 1 county TIV, key location TIV.

This will be made available to the selected broker.

13. Are the following coverages including in this RFP: Fine arts, builder's risk, and boiler and machinery?

Yes.

14. Terrorism coverage – is it a separate placement or included with the property? Does the coverage include all locations?

It is a separate placement within the property reinsurance program. The coverage does not include all locations. The locations included will be available to the selected broker.

15. Is there a separate % of the TIV(True Insured Value)/location names storm windstorm (tier 1 county loc. only) deductible?

No.

16. Can participants submit a partnership proposal where more than one entity partners for this program? If so, how do we fill out the form properly?

Yes. Participants may partner; however, the IRF seeks to have contact with one entity. Should the proposal include partners, then an additional coversheet should be completed to identify each additional partner. However, the IRF will deal with only one entity who will be the principal partner.

17. The specifications require 100% following form to the IRF coverage. Will we have the opportunity to review the underlying coverage documents prior to committing to this requirement? Coverage for terrorism, flood, earthquake and windstorm are subject to significant market changes that may affect the coverage available in the market.

Yes, underlying coverage documents are available on the website.

18. What happens if the limit purchased exceeds \$400,000,000? For example, we model the exposures, update the TIV's and determine the PML is \$500,000,000, does the fee get adjusted upward?

No, the broker will not model exposures, update TIV's or determine PML. The IRF does not anticipate significant changes in the PML in the near future. The fee that is bid is for the broker's service in placing the program at the level given by the IRF and will not increase if the limit increases and will not decrease if the limit decreases. The fee will remain unchanged for the first three years to be negotiated annually thereafter with any proposed changes to be approved by the BCB before the change can take effect.

19. Are taxes such as surplus lines taxes, FET, etc. paid by the IRF?

The IRF is a governmental entity and is not subject to paying state taxes and federal taxes. Any taxes to be paid should be included in the net premium.

20. What deductibles does the IRF use in the underlying coverage documents?

These deductibles vary and will be made available to the selected broker.

21. Does the IRF have the exposure data by location with full addresses including zip codes on an excel spreadsheet? Can you provide the information format?

The exposure data is available by location with a full address including zip. The information will be made available after the broker is selected. It can be made available in an excel spreadsheet.

22. The request for services such as loss control is very vague. In order to provide the IRF these services can you provide the IRF requirements for loss control inspections, education programs, appraisal/valuations services, etc?

The IRF does not intend to specify the details of these services; instead the IRF requests that each prospective broker competing for business propose the services it has to offer and can provide.

23. Copy of policy declarations, i.e., how is policy constructed; is inland marine included; are there sub-limits or annual aggregates; other endorsements?

Policy documents are available on the website. They should be reviewed for any applicable sublimits and other details. There are no annual aggregates. All property lines are included (inland marine, data processing, business interruption, builders risk, business and personal property). This specifically excludes automobile comp. and collision.

24. The RFP refers to “reinsurance”. Is this actually reinsurance or is it a direct insurance placement?

IRF will consider the program to be reinsurance.

25. Schedule of locations with values.

A schedule can be made available to the selected broker.

26. What software or method was used for the windstorm actuarial report? Copy of the actuarial report? Is this a required broker service or separate from the broker service?

A copy of the actuarial report will be provided to the successful broker. This solicitation does not include a request for an actuarial study.

27. Is a schedule of the level/type of construction and fire/windstorm protection and flood zone available by location?

A schedule can be made available to the selected broker.

28. Besides insurers admitted in South Carolina, will the IRF accept surplus lines insurers? If so, does the IRF pay surplus lines taxes or is it exempted?

Yes, IRF will accept surplus lines insurers. The IRF is a governmental entity and is exempt from paying state taxes and federal taxes. Should any tax be necessary, it should be included in the net premium.

29. Self-procured insurers?

It is not clear to IRF what is meant by self-procured insurers.

30. Reinsurers?

Yes.

31. On page 5 under Broker Services, the IRF indicates that it will request loss control inspections. Can the IRF indicate the number of inspections requested on an annual basis? Is this part of or in addition to the broker service fee?

All insured values over \$10 million, approximately 110, are subject to annual loss control inspections. The cost should be included in the broker's flat fee.

32. On page 6 of the RFP, under Broker Compensation, the broker fee is generated from the "placement of reinsurance and/or excess coverage." Does the "placement" contemplate Broker Services such as claims service and loss control?

The broker fee for "placement" should include all services broker will either place or provide. IRF seeks for each prospective broker to explain what services it has to offer and can provide.

33. On what form is the terrorism coverage? How was the \$150 M limit decided? Is terrorism based on the same conditions, deductible, etc. as property?

Terrorism form will be made available to the successful broker. Terrorism limit will be decided by the IRF. Terrorism \$2 Million SIR per location \$10 Million SIR per occurrence and \$1 million SIR per occurrence upon exhaustion of annual aggregate.

34. Are claims services contemplated on the \$10 Million/\$1 Million SIR? Again, as part of the broker service, or a separate item?

No. IRF expects claims coordination for any amount over the SIR.

35. What is the current annual premium?

Currently, IRF pays approximately \$20,755,000 million gross premium.

36. What is your current agent receiving in annual income (fees and/or commission)?

Currently IRF pays one premium and the amount of agent's compensation is unknown.

37. What carriers are you currently using?

This will be made part of the addendum and posted on the website.

38. Are fine arts, museum coverage included under the excess property coverage bid?

Yes.

39. Please provide (a) a detailed list of services provided to the IRF by the current broker and (b) what additional services the IRF is seeking.

(a) Broker currently provides inspection services, flood zone identification, claims handling coordination.

(b) IRF seeks for each prospective broker to explain what services it has to offer.

40. Please provide (a) a list of current loss control services provided to the IRF (b) the dollar value threshold for a physical inspection, for example, all locations valued in excess of \$500,000 and (c) the desired frequency of loss control inspections.

(b) \$10 million. (See answer 31).

41. What is the current brokers' and or intermediaries role in the claims handling process?

Broker serves as liaison between the IRF and underwriters. Currently, IRF has an agreement with the lead underwriter (RSUI) and its catastrophe manager (Engle Martin) to use T.M. Mayfield to adjust losses resulting from a catastrophe. T.M. Mayfield's work will be examined and supervised by Engle Martin and the IRF.

42. How are the current claims being administered from both a catastrophic standpoint and a non-catastrophic standpoint? What is your ideal time frame for cat claims response?

For non-catastrophic claims, IRF handles claims "in-house" with use of independents as needed. For catastrophic claims, see answer 41. An ideal time frame for catastrophic claims response is immediately, as soon as possible, or as soon as storm troopers can gain access to the property.

43. Is there an in-state vendor preference? What are the qualifications to receive this preference?

In an effort to increase competition, there is no in-state vendor preference.

44. What level of professional liability insurance is maintained by the current broker? What level is expected to be carried?

IRF expects broker to carry a sufficient level of insurance to protect the IRF and "make it whole" in the event of an error, omission, or other departure from the brokers duty.

45. Is the pre-bid conference mandatory?

No, the pre-bid conference is not mandatory.

46. Can we get a copy of the modeling report supporting the 400 M number?

This will be made available to the selected broker.

47. Can we get a breakdown of values by construction type and by residential vs. commercial?

This will be made available to the selected broker.

48. Can we get prior 10 year loss history of fund or since inception of less?

This will be made available to the selected broker.

49. Who adjusts claims and does State retain all claims costs within SIR?

IRF with independents as needed, State retains all claims costs within SIR.

50. Will State front for Alien reinsurers?

No.

51. Does State have a required fronting agreement?

No.

52. Any restrictions on amount of capacity fronted?

No.

53. Can financial instruments other than insurance be used?

No.

54. Does State require ceding commissions?

No.

55. Any engineering reports on the higher valued locations available for marketing?

This will be made available to the selected broker.

56. Will Broker of Record Letters be issued for all markets to the selected broker?

Yes.

### **VERBAL QUESTIONS RECEIVED AT MEETING.**

57. Does the IRF appraise its buildings?

Yes. The IRF uses Marshall and Swift appraisal software and onsite appraisers to determine replacement costs of insured buildings.

58. What is the term “any client terminated” clarified to mean?

“ii. the name and address of any client who has terminated your relationship for performing similar services as detailed in this broker selection process...” On page 9 of the solicitation document, the term any should be interpreted to mean “any and all”.

59. Will the advisory panel names and findings be posted prior to the September 25, 2007 meeting of the Board?

Names of evaluators will be a matter of public record; it is likely the names will be made available before the September Budget and Control Board meeting. The selection panel will consist of a representative from the Department of Insurance, a representative from the Wind and Hail Association, a representative from the IRF and we anticipate a fourth member from academia. Recommendations will be made available to the Budget and Control Board to assist it in the selection, and typically those recommendations are not made public prior to selection.

60. Can the broker submit options for providing services?

Yes. Brokers may submit options.

61. Who are the members of the “outside” selection committee that will make recommendations to the IRF/the Budget and Control Board?

Names of evaluators will be a matter of public record; it is likely the names will be made available before the September Budget and Control Board meeting. The selection panel will consist of a representative from the Department of Insurance, a representative from the Wind and Hail Association, a representative from the IRF and we anticipate a fourth member from academia. Recommendations will be made available to the Budget and Control Board to assist it in the selection, and typically those recommendations are not made public prior to selection.



62. Once the addendum is put on the website, will any other changes or questions be allowed? Do we need to check the website often or will the addendum be the final posting?

All questions and answers will be posted by Friday, August 17, 2007. Continue to check the website because the IRF may post further addendums.

63. What is the anticipated make up of the selection board? How many members? Will their names be public record and published before the next BCB meeting? Will the recommendation be published before the BCB meeting?

Names of evaluators will be a matter of public record; it is likely the names will be made available before the September Budget and Control Board meeting. The selection panel will consist of a representative from the Department of Insurance, a representative from the Wind and Hail Association, a representative from the IRF and we anticipate a fourth member from academia. Recommendations will be made available to the Budget and Control Board to assist it in the selection, and typically those recommendations are not made public prior to selection.

64. Will there be a sample contract?

No.